



State of Washington

AFFORDABLE HOUSING ADVISORY BOARD

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Faith Pettis
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Residential Construction Industry

Jim Potter
Residential Construction Industry

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Michael O'Rourke
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Low Income Housing

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Chris Pegg
Public Housing Authorities

Obie O'Brien
Counties, Eastern WA

Andree Harland
Counties, Western WA

Teresa Overhauser
Cities, Eastern WA

Lauren Walker
Cities, Western WA

David Stillman
Ex-Officio, Dept. of Social & Health Services

Kim Herman
Ex-Officio, Housing Finance Commission

Dan McConnon
Ex-Officio, Dept. of Commerce

BOARD MEETING SUMMARY

Monday, March 31, 2014

1:00pm to 4:00pm

Pacific Tower – Seattle, WA

ATTENDANCE

Faith Pettis, Kim Herman, Teresa Overhauser, Mike Adolfae, Chris Pegg, Paul Purcell, Michael O'Rourke, Joseph Ingram, Shaw Seaman, Obie O'Brien, Kevin Grossman, Wanda Coats, Andree Harland, and David Stillman.

COMMERCE STAFF

Diane Klontz, Janet Masella, Tedd Kelleher, Cary Retlin and Cherish Rahikainen.

GUESTS

Sharon Swanson, Policy Counsel, Washington State Senate Commerce & Labor, Financial Institutions and Insurance

Leslie Price, Washington State Housing Finance Commission

Jeff Wilson, Commerce, Managing Director for Growth Management

INTRODUCTIONS AND CONFIRMATION OF AGENDA

Faith Pettis

Faith summarized the agenda.

APPROVAL OF MINUTES

The December 2013 meeting summary was approved.

REPORT FROM THE CHAIR

Faith thanked Board members for attending and introduced our newest members: Teresa Overhauser, representing the Association of Washington Cities (Eastern); Michael O'Rourke, representing Home Mortgage Lending; and Andree Harland, representing the Washington State Association of Counties (Western).

Tiffany Speir has also been appointed as one of our Residential Construction Industry Representatives. Tiffany will join us at the next meeting.

The proposed 2014 meeting dates were approved. Please mark your calendar:

- Wednesday, June 4, 2014 10:00am-1:00pm
- Thursday, September 11, 2014 10:00am-1:00pm
- Wednesday, December 3, 2014 10:00am-1:00pm

The location and agenda will be distributed prior to each meeting.

Since the last Board meeting in December, Faith and Kevin Grossman worked to finalize the letter and memorandum regarding AHAB's recommendations on Housing Trust Fund capital funding. These were sent on December 19, 2013 to a number of legislators including Representative Appleton, Representative Dunshee, Senator Hobbs and Senator Honeyford. Board members were provided an electronic copy.

Faith and Kevin Grossman also testified on the Foreclosure and the Document Recording Fee bills.

Faith, staff from the Housing Finance Commission, and a number of Board members attended the City of Seattle Workforce Housing Forum held in mid-February at the Seattle City Hall to discuss specific housing issues in the city.

COMMERCE / LEGISLATIVE & BUDGET UPDATE (Diane Klontz)

Overall, the Department of Commerce is pleased with the outcome of the 2014 legislative session.

Document Recording Fee Bill (Tedd Kelleher)

[SB 5875](#), concerning a surcharge for local homeless housing and assistance, passed the Senate 41-to-8 and the House 74-to-22. This legislation will extend the \$40 local homeless housing and assistance document recording surcharge through June 30, 2019. It also requires 45 percent of the state's non-administrative allotment of the surcharge fee revenue to be set aside for private rental housing vouchers, and annual independent audits of the expenditure of the document recording fee revenue and of the programs funded by all surcharge revenues.

The first audit report is due July 1, 2015.

Foreclosure

[HB 2723](#), modifying certain provisions governing foreclosures, passed the House 98-to-0 and the Senate 49-to-0. This legislation in part permits Commerce to authorize mediator fees, expands the definitions of "borrower," indicates the grounds for eligibility on the referral submitted to Commerce, and requires the beneficiary to provide documentation for mediation purposes relative to any investor restriction that prohibits the beneficiary from implementing a modification.

Housing Trust Fund (Janet Masella)

Since a capital budget did not pass, there is no new money for affordable housing projects in 2014. The proposed capital budget included \$5 million for an ultra-efficient affordable housing demonstration program and a handful of affordable housing projects were included under the Local and Community Projects, list, but no funding was proposed for the Housing Trust Fund. In the operating budget, \$466,000 was appropriated from the Housing Trust Fund's loan repayment account to reimburse the Tacoma Housing Authority for remediation of methamphetamine contaminated units.

Growth Management (Jeff Wilson)

Jeff Wilson and his staff are working with counties and local jurisdictions to make updates to their Housing Plans. Every county and city in the state are required to conduct a periodic update of its comprehensive plan and development regulations, though the obligation varies depending on whether the jurisdiction is fully or partially planning (RCW 36.70A.130(1)). This process will take place over the next four years, with the first set of counties being Pierce, Snohomish and King. The Growth Management Task Force works to address troubled areas and provide technical assistance. Jeff encourages Board members to get involved. To find out how, please email jeff.wilson@commerce.wa.gov.

NEEDS STUDY UPDATE

Leslie Price and Tedd Kelleher reviewed an outline of the Affordable Housing Needs Study and reported that the study is progressing. Most of the housing authorities have submitted the requested data, thanks to good follow-up work by Chris Pegg. The board discussed some of the elements of the report, including the special needs categories and geographic scope. The board heard how the private market was being reflected in the report: through an analysis of census data to look at both supply and demand. The study also includes an inventory of the affordable stock and will include a “gap analysis.”

Mullen & Lonergan Associates, Inc. provided a preliminary report to the subcommittee in March; however, that report is not yet ready to share with the Board and interested parties. The data provides a baseline, but needs deeper analysis to help make educated policy decisions and make the case for supply and demand in our state. Faith expects a full report in early summer, which we hope to share at the June 4 meeting.

Kim Herman will connect with the Housing Washington Conference planner and request that the Affordable Housing Needs Study is added to the agenda if there is an opening. The conference is scheduled October 6-8, 2014 in Tacoma, WA.

The board discussed next steps once the report is final, including how to best disseminate the report.

DEVELOPMENT COSTS

Paul Purcell shared a PowerPoint presentation on the complexity of affordable housing development costs, addressing each cost factor: Financing, Land Cost, Site Costs, Designing, Permitting and Construction.

Affordable housing is considerably more expensive compared to the general market. Paul hopes this presentation will help lead to discussions on potential solutions in the future.

LIFE CYCLE COST ANALYSIS

Janet Masella (?) reported that Governor Inslee issued [Executive Order 13-03](#) requiring consideration of life cycle and operating costs in public works projects. Commerce is unsure of the impact this will have on the Housing Trust Fund, Weatherization or Capital Facilities projects. The Office of Financial Management is expected to release further guidance by the end of April.

The Housing Trust Fund continues to consider cost when funding affordable housing projects.

HOUSING TRUST FUND COST-EFFECTIVENESS UPDATE

Janet Masella shared a list of nine recommendations to increase the Cost-Effectiveness of Housing Trust Fund investments and provided a status update (shown below).

	<i>Recommendation</i>	<i>Implementation</i>	<i>Status</i>
1	Establish per-unit cost limits based on a cost assessment of comparable projects	Spring 2013	Implemented 2013 funding round, will reassess and adjust for 2015 as appropriate
2	Require applicants to describe specific measures to reduce project costs and to quantify projected savings	Spring 2013	Implemented 2013 funding round, will reassess and adjust for 2015 as appropriate

3	Conduct additional research and evaluation of other states' policies and identify best practices for potential implementation	Summer 2013	
4	Identify potential incentives for cost savings during the project development phase	Fall 2013	PAT subcommittee convened, on hold pending further evaluation of existing cost policy (#1 above) and possible SOH pilot
5	Conduct an inventory and impact analysis of regulatory requirements that contribute to project costs	Fall 2013	PAT subcommittee convened but stalled, lead has left his organization. Need to identify new lead and reconvene
6	Establish a methodology for factoring long-term operational cost efficiencies into the evaluation of project development costs	Spring 2014	PAT subcommittee convened, meetings ongoing, recommendation anticipated late Spring 2014.
7	Develop policies to limit project soft costs	Spring 2014	
8	Develop in-house construction expertise within the Housing Trust Fund staff	Fall 2014	
9	Document and monitor per-unit and other project cost data over time	2013-Ongoing	Ongoing

SUBCOMMITTEE AND OTHER REPORTS

Policy Advisory Team (PAT) (Paul Purcell/Janet Masella)

Given there are no new Housing Trust Fund dollars in the capital budget, the Policy Advisory Team is focusing their agenda on strategies for supporting funding in the 2015-2017 Biennium.

CLOSING REMARKS

Board members are welcome to join a 4:00pm tour of the Pacific Tower and learn more about the historical aspects of the building and the mission of Commerce's involvement.

MEETING ADJOURNED 4:00pm

Next Meeting: **Wednesday, June 4, 2014**
 10:00am to 1:00pm
 King County area – Location to be determined